

## Column 1

The Governor's Housing Summit has been scheduled for October 4-5, 2006 at the Nashville Convention Center. Please plan to be there. On-line and downloadable registration forms will be posted August 21 on [www.tennessee.gov/thda](http://www.tennessee.gov/thda). The cost will be as low as possible to cover materials, meeting space and refreshments. Inquiries from sponsors are welcome. Contact Patricia.M.Smith@state.tn.us for more details.

*THDA has combined its Homeownership and Mortgage Administration departments into Single Family Programs. Ed Lozier is the Director of Homeownership Operations, Sharon Pommer is Single Family Servicing Support Manager, and Laura Sinclair has returned to be Director of Single Family Programs.*

*The Great Rate and Great Start interest rates were increased as of July 1. The Great Rate interest rate moved from 5.4% to 5.8% and the Great Start interest rate increased from 6.4 to 6.8%.*

Preliminary rankings of the applicants for 2006 Low Income Housing Tax Credits have been or will soon be posted on our website.

The second page of the rankings is a listing of all the 2006 competitive LIHTC applications broken down into set-asides. The applications to which we anticipate issuing Reservation Notices are shaded gray. It's highly likely that there will be additional Reservation Notices issued to applications not currently shaded gray.

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The summer's heat is no longer a burden since Mrs. Udora Harman benefited from a joint program between USDA Rural Development and THDA. Mrs. Harman's home now has handicap access in the bathroom, new siding and windows, and central air conditioning and heat. Her daughter, Elaine Harman Tucker, is very grateful her mother is more comfortable.

## Statewide Housing Coalition to Collect, Focus Affordable Efforts

It's not news there's not enough affordable housing in Tennessee to meet the need. Some families are living in cramped quarters. Some households pay more than 30% of their income for housing costs, leaving insufficient money for medicine, food, clothes. Some people live on the street.

There's important work being done in affordable housing in Tennessee – house by house, apartment by apartment, block by block. Not-for-profits are maintaining and creating housing for those with special needs. Lenders are offering a variety of mortgages. Developers are offering abodes of various shapes. A statewide coalition is forming because significant benefits can be realized by sharing those success stories,

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# Personal Experience Indicates Fair Housing Laws Are Improvements

By Janis McNeely  
First Horizon Mortgage Loan Consultant  
THDA Board Member

I have worked in the mortgage banking industry for more than 35 years and have seen huge changes in the way lenders operate. Most of the changes are for the good, but I do have some answers for the question: “What was it like before Fair Housing and Fair Lending laws were enacted?”

Fair Housing was part of the Civil Rights Act of 1968. Fair Housing prohibits the discrimination in purchase or improvement of housing or housing related services based on race, color, religion, sex, handicap, familial status or national origin.

Fair Lending was part of the Equal Credit Opportunity Act of 1975 (ECOA). To give you some background information I was working as a mortgage processor at that time. I believe it was 1973 when women were allowed to wear a pants SUIT to work. Prior to that time we had to wear a dress or skirt. We had no copy machines – only carbon paper - also no fax machines, no cell phones, no computers and our calculators took up half of our desk space.

I worked for a mortgage company and we could only do FHA and VA loans. A VA loan could take up to six

MONTHS to close on existing construction. The seller had to pay the points, but neither the seller, buyer or agent ever asked *how many points*. I remember as many as 10 points being charged to the seller. No one shopped for a mortgage. It was all based on who they knew.

Now we have to notify the applicant within 30 days of application on whether they are approved or denied. All files must be kept for 25 months.

Fair Housing and Fair Lending laws are very similar. When we first went to seminars to explain the Fair Lending (ECOA and RESPA) laws, we were all amazed and could not believe the changes and how much we had to learn. That seems so strange now.

Before that time we could not count a single woman’s income because she might get married and quit work. If a woman was of “child bearing” age, we would have to get a letter from her doctor stating that she was unable to have children. A friend of mine, Maggie Griffith, recalls having a loan turned down for a 35-year-old single female RN who lived with her elderly mother. The underwriter said she might have a child and quit work.

We were told after the passage of the law that we could only use the terms “married, unmarried or separated” and never “single, divorced or widowed” or we would be subject to a law suit. We were all afraid we would slip up and use the wrong word. We could no longer ask about alimony or child support income. We can only ask if an applicant had other income they would like to have considered.

We must always state that the federal government (not the lender) requests we get their race, ethnicity, and gender for monitoring purposes. Right after this went into effect I had a single female applicant who did not want to disclose this information and our local FHA office refused to approve the loan. We went to the Washington office and they accepted our request. Applicants now have the option of whether they want to disclose this information.

We’ve come a long way and all for the good. I hope this gives you some insight on how important certain legislation can be for all of us.



**McNeely**



**Governor Phil Bredesen and THDA's Ted R. Fellman posed with the proclamation noting April as Fair Housing Month.**

# FHLB Makes New Neighbors Welcome Here

A Federal Home Loan Bank of Cincinnati program has helped 94 families displaced by 2005 Gulf Coast hurricanes settle in Tennessee.

The New Neighbors program awarded grants of \$20,000 toward home purchases to those displaced by Hurricanes Katrina, Rita and Wilma. Within the FHLBank Cincinnati's district of Kentucky, Ohio and Tennessee, the bulk of the \$3 million in grants went to the Volunteer State.

The region of Tennessee that saw the most activity under the program was Memphis, which saw 60 home purchase grants in Shelby and Tipton counties. Nashville was next with 17, and the rest were scattered around the state, as far east as Sullivan County.

In addition to the home purchase grants, rent subsidy grants totaling \$300,000 were awarded in Memphis and Nashville.

The New Neighbors fund was created in September 2005 to help hurricane evacuees find permanent housing in

their new locations. In April 2006, the FHLBank's board of directors announced a temporary suspension of the program after the Federal Housing Finance Board proposed new rules that would require the FHLBank to increase retained earnings by at least \$109 million and place additional pressure on capital and liquidity. The retained earnings shortfall would take effect immediately upon passage of the proposed rule. FHLBank Board Chair Charles "Bud" Koch said he was hopeful that New Neighbors could resume pending a favorable resolution of the regulatory proposal.

"The program helped many families get on with their lives after such a terrible disaster," said Carol Mount Peterson, Senior Vice President for Housing and Community Investment. "We hope to get clarity on our regulatory situation soon, so we can restart this important program."

## ***FHLB Grants Spur Production Through Two Housing Programs***

The Federal Home Loan Bank of Cincinnati in June announced its latest round of grants under its Affordable Housing Program and American Dream Homeownership Challenge. Grants to projects in Tennessee totaled \$2.8 million:

- \$397,000 to Cohutta Banking Company of Chattanooga, for Volunteer Behavioral Health Care System of Chattanooga.
- \$308,111 to Clayton Bank and Trust of Henderson, for Knox Housing Partnership Inc. of Knoxville.
- \$295,210 to Citizens Tri-County Bank of Dunlap, for New Hope Construction of Hendersonville.
- \$244,000 to Bank of Tennessee of Kingsport, for Eastern Eight Community Development Corp. of Johnson City.
- \$200,000 to Memphis Area Teachers' Credit Union of Memphis, for North Memphis Community Development Corp. of Memphis.
- \$171,633 to First State Bank of Union City, First Citizens National Bank of Dyersburg and Reelfoot Bank of Union City, for Carey Counseling Center Inc. of Paris.
- \$141,126 to First Citizens National Bank of Dyersburg, for Apostolic Faith Church of Jesus Christ of Dyersburg.
- \$130,373 to Pinnacle National Bank of Nashville, for The Charter Group of Murfreesboro.

- \$110,200 to Bank of Cleveland, for Habitat for Humanity—Cleveland.
- \$100,000 to Progressive Savings Bank, F.S.B., of Jamestown, for Cumberland Regional Development Corp. of Cookeville.
- \$100,000 to Citizens Bank of Carthage, for Cumberland Regional Development Corp. of Cookeville.
- \$99,540 to Pinnacle National Bank of Nashville, for Nashville Area Habitat for Humanity.
- \$90,000 to First Trust & Savings Bank of Oneida, for Habitat for Humanity-Appalachia of Robbins.
- \$77,620 to The Bank of Jackson, for T.A.M.B. of Jackson Inc.
- \$60,000 to Peoples Bank of Clifton, for Buffalo Valley Inc. of Hohenwald.
- \$59,825 to First Tennessee Bank, N.A., of Memphis, for Crossville Housing Authority.
- \$50,000 to Pinnacle National Bank of Nashville, for Nashville Area Habitat for Humanity.
- \$50,000 to Commercial Bank & Trust Company of Paris, for Community Action Network Inc. of Springville.
- \$50,000 to Bank of Tennessee of Johnson City.
- \$50,000 to Carroll Bank & Trust of Huntingdon, for Carey Counseling Center Inc. of Paris.
- \$37,500 to First National Bank of Tennessee of Livingston, for Cumberland County Habitat for Humanity of Crossville.



*"Without Originating Agents, there'd be no THDA," Fellman*

## THDA Celebrates Five Most Productive Lenders



THDA Board Member Carl Tindell joined Senator Tim Burchett and Executive Director Ted R. Fellman in thanking the most productive lenders at a dinner in Knoxville in May.

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*The New FHA. The Federal Housing Authority (FHA) has set an aggressive course of action aimed at meeting the needs of today's homebuyers, and addressing competing loan products. Charles Gardner, the director of HUD's Home Ownership Center that administers FHA loans in Tennessee, noted that "Our goal is to make processing an FHA loan seamless with processing a conventional loan."*

*During Calendar Year 2005, 75% of THDA loans were insured by FHA, 13.7% by Rural Development, 4.5% by conventional insurers and 2.8% were guaranteed by the Veterans Administration. The 4% remaining were uninsured, conventional.*

Two short-term loan applications are under review for the Department of Mental Retardation Services. THDA and the Department have established a pilot program in Shelby County to build community-based housing for clients in institutions. THDA will provide the construction financing to non-profit housing providers and the state will purchase the homes upon completion. Groundbreakings are anticipated in August.

*THDA has a new logo as part of its new beginnings, new outreach and partnership building efforts. The logo is found on page 1. The tag line resounds with us all - Leading Tennessee Home.*

How do you show appreciation to the top members of your team? Tennessee Housing Development Agency invited its top five mortgage loan producers to dinner.

Mortgage Investors Group, based in Knoxville, has the highest number of applications for THDA mortgages. When Chuck Tonkin was at the podium thanking his staff for making MIG number one, he said they made mortgages every day, but seeing the happy and nervous first-time homebuyers at the closing table gave him the greatest satisfaction.

"We have the programs to make mortgages available to qualified buyers, but we depend on the lenders to educate and make application for them," said Ted R. Fellman, THDA executive director. "Without the originating agents, there'd be no THDA."

Tina Marshall, of First Tennessee Home Loans, introduced her staff during the Lender Appreciation dinner.



The following lenders were the top 10 producers during 2005.

Mortgage Investors Group	353 loans	\$33,514,482
First Tennessee Home Loans	164 loans	\$15,990,627
First Trust Bank for Savings	157 loans	\$15,793,046
SunTrust Bank	152 loans	\$16,595,130
Guaranty Trust Company	144 loans	\$14,832,962
Community Mortgage Co.	96 loans	\$ 9,656,546
Countrywide Home Loans	76 loans	\$ 8,200,260
Wells Fargo	76 loans	\$ 7,264,440
Professional Mortgage Group	73 loans	\$ 7,723,533
American Home Mortgage	73 loans	\$ 7,081,037

Chrissi Rhea, co-owner of MIG with Tonkin, heard other lenders were vying for the Number One designation.

"They'll be hard pressed to surpass us. We're looking for THDA families every day!"

# ***Fair Housing Matters!***

Karen Newton, left, deputy assistant secretary for Fair Housing and Equal Opportunity with HUD, poses with Phil Ryan, right, executive director of Metro Development and Housing Authority, as he presents a plaque to Kelvin Jones, III, executive director of the Metropolitan Nashville Human Relations Commission at the Tennessee Fair Housing Matters Conference in April.



## ***Statewide Coalition to Collect, Focus Efforts***

(from page 1)

communicating about new initiatives, presenting funding opportunities, describing creative partnerships and more. Quarterly meetings are anticipated.

The goals of the coalition are as follows:

- a) To speak with a single voice to represent consumers of affordable housing
- b) To encourage the development and preservation of affordable housing through the development of more tools and elimination of impediments
- c) To assist with the expansion of the Governor's Conference and
- d) To encourage the simplification of blending funding sources and
- e) To educate the public, housing providers and decision makers about the value of affordable housing.

Blending funding sources is a prime example of the benefits of working together. A subdivision is being developed in Mountain City by the Eastern Eight Community Development Corporation (E8CDC) for buyers of low to moderate incomes. The funding is a carefully constructed puzzle.

E8CDC received a \$500,000 HOME 2005 grant from the Tennessee Housing

Development Agency (THDA) for the construction financing.

A \$90,000 SHOP grant from the Housing Assistance Council through HUD was secured to acquire the property. The SHOP funds uniquely allow for the homebuyers to contribute "sweat equity" towards their new homes.

A \$300,000 BUILD loan was made by THDA for subdivision pre-development costs.

Affordable mortgages will be provided through USDA-Rural Development to qualified low income homebuyers.

Eligible borrowers could benefit from THDA's New Start mortgage program, providing a mortgage with a 0% interest rate.

Retha Patton of the First Tennessee Development District is one of the architects of the Shady Meadows subdivision. A member of the coalition, she can serve as a resource for other affordable housing developers.

HUD, the federal Housing and Urban Development department, has nation-wide resources and a long history from which to offer guidance

and programs. Learning from case studies from other parts of the country can help remove impediments to Tennessee's housing development.

The coalition will be kept to a nimble size. Members of the coalition are being asked to represent the interests and views of their type of organization, offering a free exchange of ideas with the coalition and reporting to their wider group for the benefit of all. Please see Statewide Coalition on THDA's website, [www.tennessee.gov/thda](http://www.tennessee.gov/thda), to identify your industry's representative.

The Governor's Housing Summit in October will highlight the coalition's progress for the larger affordable housing community.

The coalition will be chaired in its first year by Don Alexander of the Crossville Public Housing Authority. Additional leadership will be offered by Tennessee Housing Development Agency. For more information, send an e-mail to [da@crossvillehousing.org](mailto:da@crossvillehousing.org), or Lorrie Shearon, Assistant Executive Director, THDA, [lorrie.shearon@state.tn.us](mailto:lorrie.shearon@state.tn.us).

## ***0% or 3% Mortgages Available***

# **Families With Tornado-Damaged Properties Eligible**

One family has accepted a disaster-relief mortgage offered by Tennessee Housing Development Agency, but many more families are probably eligible, said THDA's executive director, Ted Fellman.

Not much good can be said of tornado damage, but "The lady of the household said the new mortgage would allow her to afford medicine," said Fellman. "That reminds us how crucial affordable housing is."

The Joint Center for Housing Studies just released a report noting that the number of America's households spending more than half their incomes on housing increased to 15.8 million. Slow growth in wages is blamed.

"Amidst a housing boom, it is now impossible to build houses at prices anywhere near what low-income households can afford without subsidies." – Joint Center news release, June 13, 2006. ([www.jchs.harvard.edu/media/son\\_release\\_2006.htm](http://www.jchs.harvard.edu/media/son_release_2006.htm))

If a home sustained property damage in excess of insurance coverage during the tornadoes of Spring 2006, THDA can offer loan assistance. The Agency has set aside \$25 million.

"We know that thousands of homes either disappeared or were made unlivable by the tornadoes," said Fellman. "Local lenders are ready to see how we can help."

Homes must be in the counties declared federal disaster areas to be eligible. Those counties are Benton, Cannon, Carroll, Cheatham, Cumberland, Davidson, Dickson, Dyer, Fayette,

Gibson, Haywood, Maury, Sumner, Warren and Weakley. Applications for the loans can be made through THDA's standard lenders. The usual first-time homebuyer requirement is waived. The program is targeted to households of very low or low income. Lenders' names and program income limits are posted by county on the website: [www.tennessee.gov/thda](http://www.tennessee.gov/thda). Information is available, too, by calling Ed Lozier at (615) 741-9619.

"Families have been devastated by this destruction," said Fellman. "We understand they want to stay in their communities. If a new mortgage is what's needed to rebuild, then Tennessee Housing Development Agency may be able to help."

Renters whose rental homes were affected may be able to take advantage of the program to become homeowners. A statement from the property manager or owner is required to confirm the renter's residence sustained real damage.

The loans are 30-year, fixed rate, permanent financing to take out a construction loan for repair or reconstruction of a damaged housing unit owned by the applicant, or to finance the applicant's purchase of a new or existing housing unit. There are two tiers to the mortgage relief. Loans to families of very low income will carry 0% interest and are applicable to mortgages for as much as \$102,500. Loans to households of low income will carry a 3% interest rate and are applicable to mortgages for as much as \$136,500. Proof of real property loss must be demonstrated with a copy of an insurance claim or appraiser verification.

## ***HUD, REALTORS® Offer Emergency Support***

Emergency programs were designed to assist the victims of the Spring tornadoes in Middle Tennessee and the victims of the Gulf Coast hurricanes.

The Department of Housing and Urban Development gave evacuees the opportunity to buy HUD-owned homes at a discount. HUD also provided interim rental housing assistance.

More information is posted at [www.hud.gov](http://www.hud.gov) under the Hurricane Evacuee Sales Program.

THDA offered relief to low income tax credit developers whose costs were unexpectedly increased because of shortages of supplies and labor related to construction in the Gulf Region.

Locally, the Greater Nashville Association of Realtors®, in cooperation with the National Association of Realtors® and the Tennessee Association of Realtors®, offered relief to Middle Tennessee's tornado victims.

Funds were made available for either mortgage or rent relief for tornado victims in the area counties declared disaster areas. Checks were to

be made out jointly to the recipient and the mortgage holder or landlord.

The intention of the REALTORS® Relief Foundation is to provide help to local associations when emergencies demand relief.



## Victims are Varied

# Tennessee Home Protection Act Criminalizes Excessive Fees, Unwarranted Refinancing, etc.

By Toni Harris

Chief of Legislative Affairs

Who are the victims of predatory lending? They may be elderly, or low-income, or first-time homebuyers - really anyone lacking knowledge of the mortgage lending process.

Over the past six years, our state legislators have been chipping away at a predatory lending bill that would be fair to our friends in the lending business, but still address the issues consumers in Tennessee face each day. The 104<sup>th</sup> General Assembly passed legislation this session sponsored by Senator Roy Herron (D-Dresden) and Representative Larry Turner (D-Memphis) enacting the Tennessee Home Protection Act of 2006 (Public Chapter 801), placing restrictions on home loans and high-cost home loans. The new provisions, passed to protect consumers, will take affect beginning January 1, 2007.

The law was changed after extensive negotiations between consumer advocates and the Tennessee Bankers and Mortgage Bankers Associations, including efforts from the Memphis Area Association of Realtors® and the Tennessee Association of Realtors®.

One of the provisions of the new law expands the definition of high-cost loan. A normal mortgage has approximately 1 to 2 % in fees. Prior to the new law, predatory lenders sometimes charged up to 10% of the loan amount.

Among others, the Act places the following restrictions on high-cost home loans:

- No lender shall recommend default on an existing loan.
- No lender shall knowingly make a high-cost home loan that refinances within 30 months an existing home loan when the new loan does not have a reasonable benefit to the borrower.
- No financing of any credit insurance products (other than a few outlined exceptions).
- No lender may make a high-cost home loan unless the lender believes that the borrower will be able to make the scheduled payments to repay the obligation. In general, borrower(s) debt ratios should not exceed 50%.
- No financing of points and fees exceeding three percent (3%) of the total loan amount (other than outlined exceptions).
- A lender must provide the borrower with two payoff statements free of charge within a 12-month period.
- No points and fees allowed on a high-cost home loan if the proceeds of such loan are used to refinance an existing high-cost home loan with the same lender.
- No prepayment fees which exceed two percent (2%) during the first 24 months.
- No balloon loans.
- No negative amortization allowed.
- A written NOTICE TO BORROWER is required (language in the Act).
- No lender may present a borrower with a high-cost home loan at closing with materially different terms than those disclosed to the borrower at the time of application (without re-disclosure).
- High-cost home loans may not be closed in the home of the borrower (among other restrictions).
- Lenders are required to provide borrowers a list of available credit/housing counselors in the borrower's area.

## State Appropriates \$1 Million to THDA

For the first time in six years, the State of Tennessee has appropriated funds for affordable housing.

HB 993 / SB 1136 was filed as an effort to re-establish the HOUSE (Housing Opportunities Using State Encouragement) Program. The bill did not pass, but the General Assembly and the Administration recognized the concerted effort with a \$ 1 million appropriation to THDA. The Board of Directors will consider how best to leverage these funds.



## Housing Events

**Governor's Housing Summit** – October 4-5, 2006. Nashville Convention Center. Registration cost, TBA. The agenda, an on-line registration form, and a downloadable registration form will be posted about August 21 at [www.tennessee.gov/thda](http://www.tennessee.gov/thda). Register early to secure a seat.

THDA is working towards posting all Homebuyer Education classes on its website: [www.tennessee.gov/thda](http://www.tennessee.gov/thda).

**Knox Housing Partnership** notes the following Saturday class schedule:  
August 12, September 9, October 14, November 11  
Contact Yvonne Hall at 865-637-1679, ext. 223, or [yhall@khp.org](mailto:yhall@khp.org).

Please send housing-related calendar items to [patricia.m.smith@state.tn.us](mailto:patricia.m.smith@state.tn.us), or call 615-741-4979.

## THDA Applications Setting Rapid Pace

Applications for the Tennessee Housing Development Agency Great Rate and Great Start loans for the fiscal year 2005-2006 totaled 3,067, for a loan value of \$313,066,052. The Agency set a goal of \$300 million in applications for the calendar year. Current production would exceed that goal.

“Our production has been extraordinary,” said Single Family Director Laura Sinclair. “We have excellent rates. Additionally, we are reviewing our application requirements and procedures to make sure we are asking only for information that is pertinent to our stewardship of the mortgage revenue bond program,” she said. “We appreciate our originating agents and we do not need to overburden our partners with duplicate work. We want as many households as are eligible to benefit from becoming homeowners. It’s good for them and it’s good for Tennessee’s economy.”



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